

## Unit - 4

- Trends and Performance in Services.
- Services Led Growth. (2012)

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### 1) Introduction

- The Indian economy has undergone major macro economic and structural reforms since the BOP crisis of 1991.
- Trade, FDI, and industrial policies have been liberalised.
- Institutional, legislative, & regulatory measures have been undertaken to improve macroeconomic management.
- These reforms has helped to put India on a higher growth trajectory.

- The phenomenal growth & export performance witnessed in services like ~~IT~~ (IT) and business process outsourcing (BPO) has placed India on the global map.
- Services have also helped improve productivity in other ~~sect~~ sectors of the economy, thus contributing to an improvement in the economy's overall competitiveness.
- FDI entry and its implications on growth, employment, trade, ~~and capital flows~~ BOP etc.

2) Growth Trends in India's Service Sector.

1988-89	-	7%	overall GDP
2002-09	-	9.2%	7.5

• The average growth rates in agri. and industry were lower at 2.2% & 7.7%, respectively.

(Access ~~at~~ I<sup>st</sup> Article, Manoj Panda related to relative growth performance of occupational sectors)

• The service sector's contribution to ~~ent~~ overall employment has risen.

	1991	2001	2011	2017-18
• Contribution to Employment	20.80	25.10	27.75	
• Contribution to GDP				
• Services exports growth				

- The service sector's contribution to overall employment has risen, though this has not been commensurate to the growth in services output.

- It is worth noting, however, that Indian data on services output & employment are subject to problems of data collection, disaggregation, and coverage.

### 3) Trade in India's Service Sector.

- The cont<sup>n</sup> of services to India's trade and FDI flows has also been growing over the past decade, facilitating India's integration with the world economy.

	1980	2000	2010 (\$ bn)
India's service exports	2.9	16.7	116.3
Services imports	2.9	19.2	108.6

- The share of services in India's total exports has risen from 16.1% in 1995 to over 34.9% in 2010.

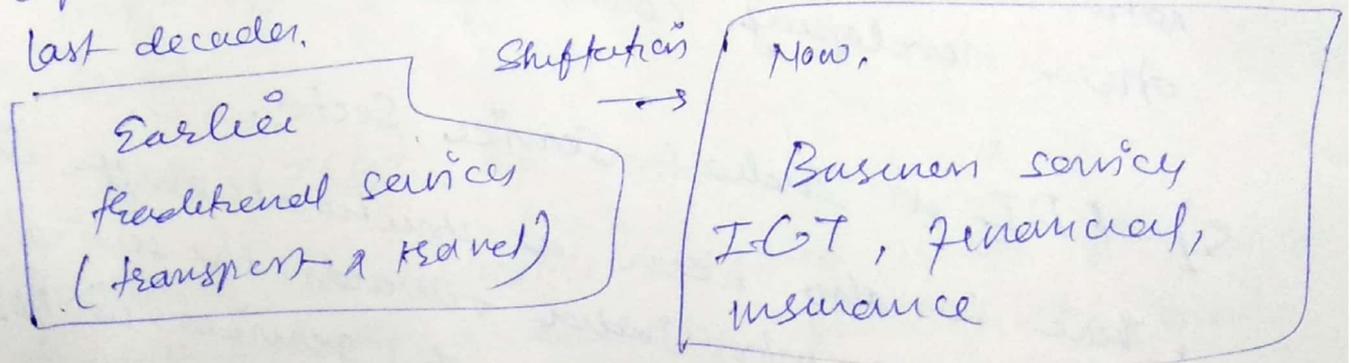
- India has also outperformed other economies, including China, in the case of services exports. During the 1990s, India had the highest growth of services exports among all economies, with an average annual growth rate of 17.3% compared to China 15.8% world average 5.6%.

• India's services exports have accelerated further, posting an average annual growth rate of 22.2% in 2000-10 period, outperforming all other economies.

• A rapid growth in services trade has led to India's increased penetration of the world service market over the past two decades, reflecting India's growing competitiveness in the world services exports has risen from less than 1% in the 1980s to 3.1% in 2010.

• The evidence indicates India's growing competition in services relative to goods.

• There has also been a diversification of the services export basket with the emergence of segments such as financial, insurance, communication & construction services. Overall, India's services exports have become more broad-based over the last decade.



• India's services exports remain constrained by domestic & external barriers. The main domestic barriers are in the form of cost infrastructural, financial, regulatory, technical & standard

- related constraints.

• The main external barriers are in the form of immigration and labour mkt- regulations.

4) Trends in India's IT-BPO services,

• The IT & BPO services segment has been the growth driver in India's service sector. IT & BPO services exports have risen from a mere \$ 1754 million in 1995-96 to \$9.6 billion in 2002.

• The US has been the most- important mkt for India's IT-BPO export.

• ~~Today~~ Today, India accounts for around half of the global offshore IT-BPO mkt. It is expected to remain an important- part of the global out-sourcing mkt in future, notwithstanding emerging competition from other developing countries & regions.

5) FDI in India's Service Sector.

• There has also been a structural shift in FDI flows into India towards the service sector. The average share of services in FDI ~~has~~ rose from 10.5% for the 1990-94 period to 28.3% during the 1995-99 period.

• Certain services such as telecommunications and construction have remained important throughout the period, while some such as housing and real estate services have become more attractive destinations for FDI flows in recent years.

## 6) Liberalisation of services in India.

• Services have been a critical part of the overall economic reform and liberalisation process in India.

• The most significant feature of service-sector liberalisation in India has been the elimination of govt. monopoly and the ~~estab~~ establishment of independent-regulators in critical services.

• Telecommunications services have experienced the most lib<sup>n</sup> & regulatory reforms in the past decade.

• IRDA & TRAI, SE side.

• Evidence also indicates increased usage of services in manufacturing & resulting productivity gains in India's manufacturing sector.

• Hence, several studies point out, further lib<sup>n</sup> of the service sector is likely to yield sector-specific & economy-wide gains in terms of growth, export, efficiency & competitiveness.

## 7) India's Multilateral and Regional Engagements in Services,

India has been actively involved in the WTO services negotiations. It has taken a proactive positive in the services negotiations on temporary cross border movement of services providers. Cross border supply of services under the GATT.

- GATT
- WTO
- Doha Round, CEPA etc.

## 8) Conclusion

- Prospects of service sector
- It outperformed other sectors of the Indian economy but also played an important role in India's integration with world trade & capital mkt.
- Service sector & sub-sector & with integration through trade & FDI.
- The prevailing view is that for services growth to be sustained, the sector can't remain dependent on external dd. It must also be driven by internal dd. More-broad based growth within the services sector is also required to ensure balanced, equitable, & employment-oriented growth, with backward & forward linkage to the rest of the economy.